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No. 06-1722

# In the Supreme Court of the United States

ITC LIMITED,

*Petitioner*,

v.

PUNCHGINI, INC., RAJA JHANJEE, PARAGNESH DESAI, VICKY VIJ, DHANDU RAM, MAHENDRA SINGH, BACHAN RAWAT, BUKHARA GRILL II, INC.,

*Respondents*.

**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit**

## PETITIONER'S REPLY BRIEF

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## RULE 29.6 STATEMENT

Pursuant to Supreme Court Rule 29.6, Petitioner states that ITC Limited ("ITC")[1] has no parent corporation and no publicly-held company owns 10% or more of its stock.

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[1] This case was originally brought by ITC Limited and ITC Hotels Limited. In 2005, ITC Hotels Limited was dissolved and made a part of ITC Limited. Accordingly, ITC Limited is the only petitioner.

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## REPLY TO RESPONDENTS' REASONS FOR DENYING THE PETITION

Respondents admit there is a circuit split on whether a foreign mark not used in the United States is nevertheless entitled to protection against unfair competition if the mark is well-known in the United States. *See e.g.*, Brief in Opposition ("Opp.") at 4. And they agree that resolution of this issue has significant impact on United States business and both domestic and international trademark law. *See e.g.*, *id.* at 24-25. These facts support a grant of certiorari.

Respondents' primary objections to a grant of certiorari are that the Second Circuit is right, and that ultimately they will win on the facts at trial. But neither of these arguments -- even if they are correct -- is a persuasive reason to deny certiorari. Moreover, Respondents misconstrue the well-known marks doctrine and its impact on domestic and international trademark policies and protection.

### A. THE NINTH CIRCUIT DECISION WAS GROUNDED IN THE LANHAM ACT

The Ninth Circuit recognized a foreign well-known marks doctrine. The Second Circuit did not. While Respondents admit there is a circuit split, they try to minimize its significance by claiming that the Ninth Circuit did not base its decision on the Lanham Act, but purely on public policy, whereas the Second Circuit based its rejection of the well-known marks doctrine on a "restricted" interpretation of § 44 of the Lanham Act. Opp. at 22-23. Yet, the fact that the Ninth Circuit's reasoning differed from that of the Second Circuit highlights, rather than lessens, the split between circuits.

Furthermore, Respondents' description of the Ninth Circuit's decision is not a fair reading of that decision. In recognizing the well-known marks doctrine, the Ninth Circuit looked to key principles embodied in the Lanham Act: the territoriality principle and protection against consumer confusion. *See Grupo Gigante v. Dallo & Co.*, 391 F.3d 1088, 1094 (9th Cir. 2004); Petition for Writ of Certiorari ("Pet.") at 17-18 (discussing *Grupo Gigante*).

As Respondents admit, these principles -- like the well-known marks doctrine itself -- are implicit in the Lanham Act, and are derived from common law. *See* Opp. at 8; Pet. at 8-9. The Lanham Act codified these common law principles. *See* S. Rep. No. 79-1333 (1946) *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274 ("The purpose of this bill is to place all matters relating to trade-marks in one statute and to eliminate judicial obscurity..."). Thus, the Ninth Circuit's reasoning did not reference express language in the Lanham Act, but instead looked to case law to conclude that territoriality is not absolute. It then applied these principles to the claim of a foreign mark holder, who, like ITC, sought relief under the Lanham Act.[2]

## B. A DECISION BY THIS COURT WOULD BE CASE DISPOSITIVE

Respondents argue this Court should not grant certiorari because any decision would not be dispositive. Opp. at 6-7. They imply that the Second Circuit held that ITC had

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[2] The Ninth Circuit did not find it necessary to refer to international treaties to determine the existence of a well-known marks doctrine, since it concluded that the doctrine was already encompassed in the Lanham Act. *Grupo Gigante*, 391 F.3d at 1099.

insufficient evidence to create a genuine issue of fact on whether its mark is well-known. *See* Opp. at 2-3, 6 (citing the District Court holding). To be sure, the District Court found ITC had insufficient evidence of secondary meaning. Pet. App. at 88a. But, the District Court took a novel approach to secondary meaning,[3] and the Second Circuit did not affirm on this basis. Instead, after reviewing the record *de novo* and noting the evidence supporting ITC's claim, *see* Pet. App. A at 6a-7a, it reached the issue of the well-known marks doctrine -- presumably because it concluded ITC's evidence was sufficient to survive summary judgment, requiring it to reach the issue. *Cf. Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d 462, 471 (2d Cir. 2005) ("We do not reach the question of whether to recognize the famous marks doctrine because... [Plaintiff's] acquisition rights ... is barred by the embargo"). Thus, a decision by this Court in ITC's favor will result in a reversal of the decisions below. Whether Respondents ultimately prevail at trial is irrelevant to whether certiorari is appropriate, and improperly asks this Court to engage in fact finding.

On the same grounds, Respondents suggest this Court wait for another case. Opp. at 7. But two of the circuits most concerned with international trade -- the Second and the Ninth -- have now ruled directly on this issue. And Respondents in fact note that a number of other circuits have indicated positions either on the well-known marks doctrine directly or indirectly on the principle of territoriality. *See* Opp. at 7-8, 23; Pet. at 20-21 (citing cases that recognize but do not apply the doctrine).

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[3] The District Court considered only use of the mark outside the United States. Pet. App. at 91-95. ITC disagrees with the District Court's reasoning and decision regarding secondary meaning.

Moreover, that the Second Circuit has, in Respondents' eyes, gotten it right is not a sound reason to deny certiorari, particularly given the enormity of the issues at stake. Respondents' concern for the significant impact of this decision only highlights the need to resolve this issue promptly. There may not be many more opportunities to resolve these conflicting decisions before other countries set policies causing domestic trademark holders doing business abroad to be harmed. Thus, the Court should act now to resolve this circuit split.

## C. RESPONDENTS MISCONTRUE THE WELL-KNOWN MARKS DOCTRINE

Respondents would have this Court believe that ITC seeks to create "*ex nihilo* a new paradigm," one that would represent a drastic departure from current trademark law. Opp. at 5. This is simply not the case. United States trademark law has long contained a form of the well-known marks doctrine. And that doctrine, to the extent not codified in the Lanham Act *ab initio*, was incorporated into the Act through later amendments intended to implement the United States' treaty obligations, most notably through § 44. Formal recognition of the doctrine by this Court is not a drastic departure -- if a departure at all -- from existing law.

More important, these points go to the merits of the claim and are essentially irrelevant to whether certiorari should be granted. The admitted circuit split and the undeniable significance of the issue support certiorari.

Respondents assert that the lack of express statutory language denoting a well-known marks exception bars its recognition. But, the well-known marks doctrine is incorporated in the Lanham Act in two ways. First, it flows

from the notion, first established at common law, that a trademark may be protected where it is known as well as where it is used. Second, it is a critical provision in both the Paris Convention and TRIPs, each of which is effectuated by the Lanham Act.

1. The Well-Known Marks Doctrine Has Long Been A Feature of United States Trademark Law

Respondents rely on the Second Circuit's rigid and absolutist view of territoriality. But, as they are forced to admit, Opp. at 8, the territoriality principle itself is not in the Lanham Act's express language. Respondents nevertheless claim that territoriality can be presumed because of its long standing in the common law, whereas they claim the well-known marks doctrine cannot be so presumed, because, according to Respondents, there is no pre-Lanham Act common law support. *Id.*

But this assertion misreads both the common law and ITC's argument.[4] Before the adoption of the Lanham Act, this Court discussed the exception to the territoriality principle for well-known marks. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415-16 (1916) (holding that protection of a trademark follows where it has been used "or its meaning has become known," with the goal of protecting against palming off and unfair competition); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97-100 (1918)(same).

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[4] Respondents claim that, according to ITC, the common law "did not require marks be used at all." Opp. at 11-12. This is incorrect, as a careful reading of ITC's Petition shows.

Thus, as ITC explained in its Petition, this long-standing case law allows a mark used in one area to be protected in a distant area where the mark is known but not used. *See* Pet. at 8-9; *Grupo Gigante*, 319 F.3d at 1097; *Brennan's, Inc. v. Brennan's Restaurant, L.L.C.*, 360 F.3d 125, 134 (2d Cir. 2004) (a "geographically remote mark" may be protected in a distant market where there is evidence of reputation). Where a mark is already known, even if it is not used, there is the potential for consumer confusion and unfair competition from similar marks. *See* Pet. at 8-9; *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate Inc.*, No. 04-4099, 2005 U.S. Dist. LEXIS 9307, at *25 (S.D.N.Y. May 18, 2005) (noting that the well-known marks doctrine is a warranted application of the Lanham Act because "avoidance of consumer confusion is the ultimate end of all trademark law") (citation omitted).

Realizing that they cannot entirely avoid the impact of the case law, Respondents assert that it is "a long leap" to apply the same principle internationally. Opp. at 9. But that is exactly what sections 44(b) and (h) require, even under Respondents' reading: national treatment for foreign mark holders. *See* Opp. at 19-20. Thus, the international corollary to *Hanover* is that a trademark that is used outside the United States and is well-known in the United States, is entitled to protection. A foreign mark holder, like a domestic mark holder, may show either use or fame to establish a protectible right. *See DeBeers*, No. 04-4099, 2005 U.S. Dist. LEXIS 9307, at *25-*26; *cf. Maruti.Com v. Maruti Udyog Ltd.*, 447 F.Supp.2d 494, 500 (D. Md. 2006) (no trademark rights in United States where mark was well-known in India, but neither used nor well-known in the United States). To deny such protection to foreign mark holders would be to deny them protection provided to domestic trademark holders, in violation of the Act.

Respondents also assert that, under the territoriality principle, use *in the United States* is an "absolute prerequisite" to United States trademark rights. Opp. at 7, 12. ITC does not contest that, as a general matter, use is required to obtain trademark rights in the United States. But the territoriality principle is not mandated by statutory language and is not "absolute." The cases on which Respondents rely do not stand for this proposition. *See e.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992). *Two Pesos* did not involve a foreign mark, nor the well-known marks doctrine. In fact, in its holding, the Court relied on the Lanham Act's purpose to protect against consumer confusion and unfair competition. *Id.* at 767-68.

2. The Lanham Act has Incorporated Treaty Provisions Adopting the Well-Known Marks Doctrine

While Respondents acknowledge that sections 44(b) and (h) "certainly aim to give effect to the provisions of international treaties," they maintain that the Lanham Act does not expressly incorporate the relevant treaty provisions. Opp. at 21. And, Respondents argue that (a) the Paris Convention and TRIPs do not require signatory nations to adopt well-known foreign marks protection; (b) the treaties are not self-executing, and (c) Congress has not implemented the treaties. Opp. at 15-16. Whether the treaties require adoption of well-known marks protection (which they do)[5]

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[5] There is no indication in the language of the treaties that their protections are optional. *See* Paris Convention, Art. 6*bis* ("The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, . . . . These provisions shall also apply . . . ."). And Respondents' references to debate on this topic (Opp. at 15) have been superseded by the 2000 WIPO Guidelines, which make clear that states must protect

and whether they are self-executing are beside the point. The United States has chosen to adopt and implement the protections of the Paris Convention and TRIPs through the Lanham Act. *See* Pet. at 9-16.

Respondents argue that there was no legislation "aimed directly" at TRIPs Article 16(2), and therefore it was not implemented. Opp. at 18. But, as ITC explained, Congress adopted legislation to implement the treaty protections in full. *See* Pet. at 11-16.[6] To the extent Article 16(2) was not addressed directly in such legislation, it was because Congress concluded that the protection at issue was already covered by the Act, and in this case by the Act's enactment of the Paris Convention through § 44. *See id.* at 12-15. Respondents fail to address this extensive evidence of Congressional intent and argue instead that the well-known marks doctrine will give foreigners an unfair advantage over United States trademark owners. But in making this argument, Respondents ignore § 44(i), which grants United States citizens the same rights as foreign owners of marks under § 44. *See id.* at 20.

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well-known marks without use. *See* Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, World Intellectual Property Organization (2000), Art. 2(3)(i) (members "shall not require . . . that the mark has been used in . . . the Member state").

[6] As they do elsewhere, Respondents again mistakenly accuse ITC of inaccuracy. In discussing the phrase "in addition to the rights to which any owner of a mark is otherwise entitled" in § 44(b), they allege that ITC "incorrectly suggests that the phrase was added alone in the 1962 amendment," rather than the entire section being amended. Opp. at 19, n. 13. But ITC in fact stated: "This section [44] of the Lanham Act was amended in 1962 . . . One such amendment was to change the last sentence . . ." Pet. at 15, n.5.

Lastly, Respondents suggest that certiorari should not be granted because Petitioner waived any claim for unfair competition brought pursuant to section 44(h). Opp. at 20. This is a red herring. Petitioner's cause of action is pursuant to section 43(a), which protects against anyone who causes consumer confusion. Sections 44(b) and (h) confirm that foreigners may bring a cause of action pursuant to section 43(a) -- as Respondents admit. Opp. at 10. There is no requirement that a separate claim be filed under section 44. *See Mattel, Inc. v. MCA Records*, 296 F.3d 894, 907 (9th Cir. 2002).

## D. RESPONDENTS' PREDICTIONS OF DIRE CONSEQUENCES HIGHLIGHT THE NEED TO RESOLVE THIS CONFLICT NOW

Respondents claim a well-known foreign marks exception will have dire consequences. Specifically, it would leave United States businesses without constructive notice of a foreign entity's claim to United States rights in a mark, force United States businesses to conduct global trademark clearances, and allow foreign mark holders to "warehouse" marks with no incentive to register in the United States. Opp. at 24-25. Respondents' predictions, to the extent they hold water, only serve to show that this Court should grant certiorari and resolve the circuit conflict.

But these asserted objections all ignore that the mark must be well known in the United States before the being entitled to trademark protection. Thus, a United States business would have notice of a well-known mark in its industry -- *e.g.*, a jewelry store owner has probably heard of DeBeers, a cigar manufacturer has probably heard of Cohiba, and a grocery store 50 miles from the Mexican border has probably heard of Grupo Gigante. By the same token, unwieldy

"global" clearances are not necessary where the issue is marks that are well-known. And foreign mark holders still have an incentive to file United States trademark applications: clear priority of trademark rights, without the need to prove renown in a particular market.

On the other hand, no United States business should be entitled to appropriate a well-known mark to confuse consumers and gain an unfair competitive edge. *See Grupo Gigante*, 391 F.3d at 1094. Even the Second Circuit in fact acknowledged that a "persuasive policy argument" supports the well-known marks doctrine. Pet. App. at 49a.

## CONCLUSION

For the reasons stated, Petitioner respectfully requests that the petition for writ of certiorari be granted.

This 21st day of August, 2007.

Respectfully Submitted,

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